

III. Corridor Assessment

MARKET ECONOMICS

Commercial Market

The Georgia Avenue study area's commercial market operates as a urban community business district that includes office and retail uses. While the predominant building form is the row house with a storefront addition that extends to the sidewalk, the area's commercial stock also includes one-story commercial buildings, as well as older free-standing commercial buildings. For the most part, the existing commercial space is obsolete in terms of today's retail industry standards. This space is characterized by low ceiling heights, located on narrow lots without modern features or adequate parking. Some of the existing retailers appear to be undercapitalized, as some buildings are in need of maintenance and/or improvements. Affordable rents have allowed individual entrepreneurs to start and grow retail businesses in the area.

The study area also has numerous commercial vacancies scattered throughout the corridor. These vacancies detract from the ability of retailers to attract customers or for the area to attract a better mix of new businesses. The business inventory for major business categories within the study area showed an overabundance of repetitious types of businesses such as convenience stores and liquor stores. Existing office space includes small-scale professional office uses, which includes medical space, real estate-related businesses and insurance offices.

Commercial Space

Approximately 173,000 square feet of commercial space exists within the study area. This includes both retail and office uses. Portions of the total commercial space may not be used to full capacity given vacancies and underutilized retail space.

Retail: Approximately 130,000 square feet of retail space (of the total 173,000 square feet of commercial) exists within the study area. Because the retail space varies along the corridor, the following offers a break down of the retail market by area:

1. **From Taylor St. to New Hampshire Avenue:** Businesses appear to better capitalized than the rest of the corridor. Retail vacancies are low and Safeway serves as a strong retail anchor. This area also benefits from the 3,100 daily commuters using the Georgia Avenue-Petworth Metro station and from some of the drivers and passengers of the 11,000 daily auto round-trips on Georgia Avenue.
2. **From Princeton Place to Girard Street:** The retail area south of the Georgia Avenue-Petworth Metro Station and north of Howard University have a harder time competing for customers given the distance of the Metro station and without the benefit of a large institutional anchor. This area is also plagued by larger-scale vacancies and occasional noxious uses. Without immediate access to the Metro Station or Howard University, retail businesses are more dependent on walk-in traffic from the surrounding neighborhood and some passing commuters. However, tapping the commuter market is difficult for some stores that lack dedicated parking.
3. **From Columbia Road to Euclid Street:** Retail establishments in the southern portion of the study area are close to Howard University, which helps to capture a customer base made up of students, staff, and faculty. This proximity contributes to create a stable consumer base for some of this study area's retail uses. However, some retailers have indicated that because the student population is not year-round, some businesses are negatively impacted.

Office: Approximately 43,000 square feet of office space (of the total 173,000 square feet of commercial) exist within the study area. The market area currently provides limited Class B and C office space that includes small medical space, real estate-related businesses and insurance offices.

Commercial Market Demand

Retail: The market for the area indicates a strong need for additional neighborhood-oriented retail uses not currently located in the market area. For example, the area does not have a major drug-store, a coffee shop, or family-style sit-down restaurant. Additionally, the study area has one major supermarket, Safeway, located in the northern commercial area. This store is 22,000 square feet, which is relatively small compared to today's newly built supermarkets that have specialty sections including salad bars, florists, and prepared foods for immediate consumption, bakeries, and delicatessens.

The market area households, located within the community designated census tracts (24, 25.02, 29, 31, 32), spend approximately \$30,000 per household on convenience and personal services annually. Based on annual expenditures, the amount of current (not additional) supportable retail space is 119,700 square feet (of the total 130,000 square feet of existing retail space). This supportable space, however, does not match current demand by retail type, location and building configuration. The supportable retail space requires a different geographic distribution of space to meet demand. In many cases, the existing retail spaces should be reconfigured/replaced to meet the requirements of today's retail industry.

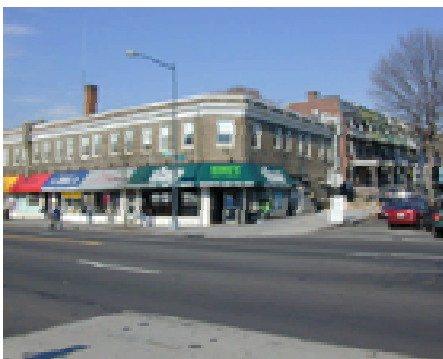


FIG. 14.1 - Georgia Avenue Retail

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Office: Over the next ten years, the study area is likely to be able to support 4,000 to 9,000 square feet of new office space. This office space should be located on the first and/or second floors of buildings.

Residential Market

Single-family detached and attached units, as well as multi-family units characterize the housing stock in the Georgia Avenue market area. This housing stock includes a total of 7,035 units based on the study area's five census tracts (24, 25.02, 29, 31, 32) and the 2000 U.S. Census data. Fifty-eight (58) percent of this housing stock was built prior to 1939 and only 2.2 percent were built since 1980. In general, the market area's housing stock is aging with minimal construction since the 1960's. It should be noted, however, that new housing—particularly condominium units—have been recently developed (starts in 2003 and first quarter 2004) in nearby areas in Ward 4. The Georgia Avenue market area reflects a significant number of elderly residents with 55 percent occupying housing units.

Rental and Owner-Occupied Units: The Georgia Avenue Market area is a close split in terms of owner-occupied versus renter-occupied:

Fifty-one (51) percent of the Georgia Avenue market area is renter-occupied with a rental housing stock consisting of small to medium-sized apartment complexes, row houses and apartments with divided single-family homes. Residents aged 65 or older represent 20.3 percent of the renter-occupied housing units. The inventory of larger rental complexes in the market area and surrounding area indicates a relatively tight market for rental units with occupancy rates at most complexes ranging from 95 to 98 percent. Typically, a healthy rental market would have occupancies of roughly 95 percent to allow for vacancies between tenants to clean and repaint. Rents range from \$625 to \$1,925 per month, with

monthly tenant parking charges ranging from \$25 to \$75.

Forty-nine (49) percent of the Georgia Avenue market area is owner-occupied primarily in single-family detached and attached units. The 2000 US Census reports that about 35 percent of the owner-occupied housing is owned by individuals 65 to 75 years or older. Out of the owner-occupied housing stock, 18 percent are in multi-family structures of two to five plus units. Based on Zip Codes 20011 and 20010, the two- and three-bedroom single-family units had a median sale price of \$160,000. Houses with four or more bedrooms had a median sale price of \$272,500. Based on 2003 data, condominiums selling in the market were quite limited. Only three condominiums were identified in the Georgia Avenue market area with an average price of \$83,500. However, with the recent development of condominium projects in nearby areas in Ward 4, new condominium units will be brought on line.

Residential Market Demand

With the increase in prices among competitive neighborhoods, homebuyers see opportunities for similar sales price increases throughout the study area. However, the demand for housing in the Georgia Avenue study area will be challenged by the deteriorated neighborhood conditions, such as the existing vacant and deteriorating housing units, crime, under-capitalized businesses, and lack of community amenities.

Condominiums: Although the market for condominiums in the Georgia Avenue community is as yet unproven, the experience in other emerging neighborhoods indicates that the market can support residential condominium apartments near to the Metro station. These units should range in price from \$200 to \$245 per square foot. This

would result in sale prices for a one-bedroom unit between \$180,000 and \$195,000 and for a two-bedroom unit between \$200,000 and \$225,000 for market-rate units. Potential absorption is estimated at 12 condominium units per month. Demand could support a total of 720 units in the Georgia Avenue market area over the five-year period from 2004 to 2008.

Townhouses: Townhouse pricing is based on recent interviews with area developers selling considerably higher priced units in adjacent neighborhoods. Interviews point to a strong market for larger townhouses with modern features, which is consistent with trends in the District of Columbia and the nation as a whole. These units should range in price from \$230 to \$280 per square foot. For an average sized 1,500 square foot townhouse in the study area, the sale prices should be between \$345,000 and \$420,000. Potential absorption is estimated at 5 units per month. Demand could support a total of 285 units in the Georgia Avenue market area over the five-year period from 2004 to 2008.

Rental Apartments: Over the next five years, the potential for an increase in interest rates is likely based on the historically low current rates. As rates increase, the condominium market will weaken; giving rise to higher demand for rental housing. With the new Metro station and the impending new mixed-used development, Georgia Avenue neighborhoods should be better able to approach rents being achieved for newly developed apartments in more established neighborhoods. Newly constructed apartments in the Georgia Avenue-Petworth Metro station area could support monthly residential rents ranging from \$1.60 to \$1.80 per square foot. These potential rents are affordable to households with annual incomes between \$50,000 to \$75,000. Residential development located more than one-



FIG. 15.1 - Georgia Avenue Rowhouses

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half mile from the Metro station will command lower monthly rents ranging from \$1.55 to \$1.65 per square foot. Potential absorption is estimated at 10 market-rate apartments per month, centered around the Metro station development. Demand could support a total of 600 units in the Georgia Avenue market area over the five-year period from 2004 to 2008.

Residential Demand: 5-year period (2004-2008)

<u>Unit Type</u>	<u>Number of New Units</u>
Condominiums	720
Townhouses	285
Apartments	600
Total new units	1,605

Business and Economic Development

Central to stabilizing and attracting new investment to the Georgia Avenue corridor is providing incentives and assistance to existing businesses and new investors. Tools to assist with new construction costs, facade improvements, business expansion and/or relocation, and small business operation/development are needed throughout the corridor.